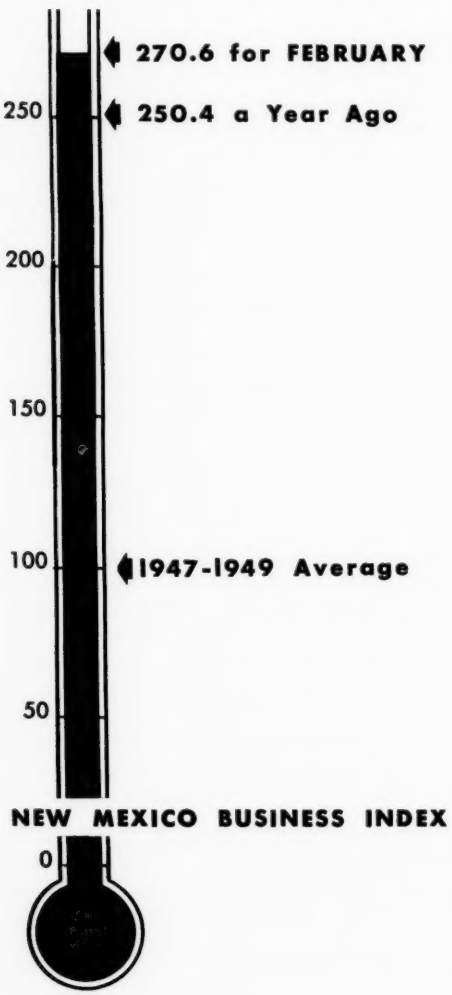
APRIL 1959

# New Mexico BUSINESS




***The usual seasonal decline*** in February dropped the Index of Business Activity about 7 per cent below its January level; but most measures of activity, except in mining, showed substantial gains over February 1958. Mine production of metallics generally continued to ride the skids, although copper showed slight recovery. Oil production, well behind January, nevertheless showed a modest gain from 1958's low level. Mine output of potash also bettered its year-earlier performance, but fell considerably short of its normal output in 1957 and 1958.

By far the biggest spur to New Mexico's economy in early 1959 came from construction activity. Although building permits issued in 17 reporting cities were down from January, they registered a 12-per-cent gain over the February total. Moreover, heavy engineering construction was reported by F. W. Dodge as being nearly eight times larger than a year earlier. With construction employment more than 25 per cent ahead of last year's and with a record volume of contracts let during February, construction activity promises to boom through a good portion of 1959.

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## A Proposal Regarding Farm Surpluses

# Farm Surpluses: How To End Them

By John H. MacMillan, Jr.

The Bureau of Business Research has made no study of the great problem of farm surpluses and is not prepared, therefore, to recommend any particular policy with regard to surpluses nor to evaluate the existing situation. However, we do feel that the accompanying article, which is reprinted with permission from the spring issue of Business Horizons (publication of the Bureau of Business Research of Indiana University), is important and thought provoking. We are glad to make it available to our readers.

Mr. MacMillan is chairman of the board of Cargill, Incorporated, Minneapolis, an important member of the private grain trade. A Yale graduate, the author has been with Cargill since 1926 and has served also as vice-president and as general manager. -- Editor.

The ultimate solution to America's agricultural surplus problem lies not in less production, but in more.

Along with increased production must come market prices that reflect today's, and subsequently tomorrow's, ever lowering per-unit production costs. Lower prices, in turn, will enable U. S. production to serve an increasingly large segment of world markets and to create, where none exist today, vast and insatiable new markets. Given only realistic and competitive pricing of farm products, world consumption can and will absorb every bushel and pound we can raise, however large our harvest totals may be.

Future public spending to assist agriculture, however much it may be and whatever form it may take, must be aimed at assisting people, not at inflating the price of inanimate bushels or pounds or bales of produce.

## Moderation Essential

All of this can take place only in a farm economy freed of incentive level supports and subsidies, and equally freed of government production restrictions.

I must emphasize that it is supports at incentive levels--as most in recent years have been--that must be done away with. It would appear that supports designed solely to provide the farmer with protection are today a political, if not an economic, necessity. Those that provide him with a constant and highly profitable artificial market, if not eliminated, will produce only a lethargic agriculture and eventual surpluses so great as to literally drown us in our own plenty, and will tax to a standstill our progress in other fields. Farmers today have no alternative but to produce to their utmost, with the certain knowledge that they will "sell" their crops to the government to be added to surplus stockpiles and paid for by ever gullible taxpayers.

Also, for political reasons it would appear that high supports, however destructive, must not be lowered precipitously but must decline much as the present Administration is causing them to decline, thus enabling producing farmers to adapt in an evolutionary and painless manner. At the same time, and for reasons I will outline shortly, means must be found to assist rural residents who are almost entirely nonproductive as farmers but who are in acute need of improved economic conditions, and who have been almost entirely bypassed by conventional farm legislation.

The feasibility of changing from a supported to a competitive agriculture is shown by the fact that our basic farm crops (corn, wheat, cotton, peanuts, rice, and tobacco) are the crops resulting in our largest surpluses and accounting for most of our price support payments; yet they total only one-fourth of agriculture's total output. Other less fully supported crops (eggs, flaxseed, wool, milk, and the feed grains) account for an additional one-fourth. The remaining one-half of farm marketings, among them such major items as meats, vegetables, and fruits, are raised entirely without subsidy and successfully sold in the competitive free market.

## The Farmer Stereotype

The change from supported to nonsupported agriculture will take place. Its coming, I believe, is conditioned only by the speed with which we, as voters and taxpayers, look beyond our stereotype of the average farmer to recognize that the actual

range of economic and social difference in agriculture is as great as in any other segment of society. It will then become obvious that the present system is not performing its intended function, but is simply making prosperous farmers more prosperous and assuring that poor farmers will remain forever poor.

Let me strike one blow at the stereotype by differentiating here among three main groups comprising our farm population of 20 million.

### *Major Commercial Farmers*

Of greatest economic and political power are what I will call the major commercial farmers, by every standard prosperous and successful agri-businessmen. Although they constitute only 27 per cent of the total farm numbers, they account for 78.7 per cent of all product sales. This "big farmer" group receives at least 78.7 per cent of crop-price benefits, for only marketable commodities are eligible for government supports. They also receive, because of the size of their farming operations, the lion's share of tax money paid for compliance with acreage allotments and soil bank or soil conservation programs.

The U. S. Bureau of the Census reports for 1954 show annual sales per farm (a figure that does not include production control payments) as from $5,000 to $10,000 for 55 per cent of the major commercials, from $10,000 to $25,000 for 35 per cent, and $25,000 or above for 10 per cent. The census does not report peak incomes of this group, but farm authorities agree they are in the multimillion dollar bracket.

The major commercials, operating around 1,300,000 farms, are our nation's most efficient producers. Their operations are highly mechanized; their investment in equipment and land is of big business dimensions; their output of grains and other products supplies virtually all of our domestic consumer requirements and export demand and accounts for all but the smallest fraction of our surplus stockpile. It is this group--making use of such intensive farming practices as high productivity hybrid seed, newly developed fertilizers, and the most modern planting and harvesting equipment--that in 1958 harvested the great bulk of our record 8.5 billion bushel grain crop. It is expected to bring in a still larger harvest this year despite costly but unsuccessful efforts by the government to curb production and reduce surplus carry-over.

### *Large Marginal Group*

A second major farm category is made up of those described by the census as "rural residents and small or part-time farmers." Most of these people are conspicuously unsuccessful as producers and, according to census figures and government social surveys, are assuredly in need of higher standards of living and broadened economic opportunities, however these ends may be achieved. These people, more than half of whom are called economically marginal by rural sociologists, represent 56 per cent of our farm population, yet account for only 7.1 per cent of total farm sales.

This trifling production, the marketed output of 1,226,000 farms, can at best bring the farmers concerned 7.1 per cent of our annual outlay for crop-price supports, and in fact brings them considerably less. For when market prices fall below support levels and larger farmers flock to the comfortable shelter of the "loan," many marginal operators find their harvests so small and diverse, the proposed addition to their incomes so paltry, and the red tape--applying for the various loans, obtaining government approved

**SELECTED 1954 AGRICULTURAL DATA FOR NEW MEXICO**

| | State Totals | "Major" Commercial Farms | | Other Commercial Farms | | "Other" Farms* | |
|---|---|---|---|---|---|---|---|
| | | Totals | Per Cent of N. M. Total | Totals | Per Cent of N. M. Total | Totals | Per Cent of N. M. Total |
| Number of Farms | 20,977 | 5,742 | 27.0 | 6,266 | 29.9 | 8,926 | 42.8 |
| Livestock sold (dollars) | $58,749,834 | $53,862,231 | 91.7 | $3,290,499 | 5.6 | $955,910 | 1.7 |
| Corn sold for grain (bushels) | 196,025 | 136,970 | 69.9 | 18,865 | 9.6 | 7,220 | 3.7 |
| Sorghum sold for grain and seed (bushels) | 3,539,871 | 3,075,475 | 86.9 | 445,083 | 12.6 | 19,313 | 0.1 |
| Cotton harvested (bales) | 284,356 | 276,570 | 97.3 | 7,367 | 2.5 | 310 | (1) |
| Hay cut (tons) | 506,126 | 384,516 | 76.0 | 72,632 | 4.3 | 33,634 | 6.6 |
| Vegetables harvested for sale (dollars) | $ 2,302,561 | $ 2,010,460 | 87.3 | $ 161,855 | 7.0 | $ 86,335 | 3.7 |

*Residential and part-time farms, but omitting 43 "abnormal" farms--private and public institutional, experiment-station, community-enterprise farms, etc.

(1) Less than 1.0 per cent.

Source: Economic Area Tables 1 and 3, New Mexico and Arizona, 1954 Census of Agriculture, the Bureau of the Census.

storage, and so forth--so great that they prefer to "let it go" and take their chances in the free market. The average annual sales of this group, again according to the census, ranges from a peak of $2,500 downward literally to zero.

If the small or part-time farmers receive but little from crop supports, they receive even less from acreage allotments, soil banks, and conservation plans. Their farms are so small and their soil so poor that they cannot spare land for retirement but are obliged to farm every acre to the hilt. Even so, the technological inadequacy of their efforts results in yields one-fifth or often less than those produced by commercial farms.

It is, nonetheless, to the twin cries of "Aid the marginal farmer," and "Save the family farm," that continued crop-price supports are demanded by certain politicians and politically powerful farm organizations. These people are the human core of our so-called farm problem, yet they are almost completely unreached by our billions of dollars of price-support expenditures.

### *The Small Commercials*

A third important farm group, smaller than either of the others and situated economically midway between them, might be called the small commercials. These people operate some 812,000 farms, or 17 per cent of the total, and on them produce 12.1 per cent of all agricultural sales. Their incomes range from $2,500 to $5,000 a year, and their farming operations must be termed something less than middling in both size and efficiency. They receive, obviously, no more than 12.1 per cent of price-support payments and are able to participate in production-control plans to a limited extent. Among them appear to be two main developments, with one segment tending to become larger and more highly mechanized in order to join the major commercial group, and another tending either to dispose of its holdings to more efficient producers or to slide downward on the economic scale to the "marginal" category.

## Our Giant Surplus

These groups, then, are our nation's farmers. They are the recipients, but in proportions exactly opposite to their need, of our farm subsidy dollars. Their over-all benefits (that is, the cost of our varied agricultural programs) have increased more than 50 per cent since 1955 and are still increasing. The January, 1958, estimate for fiscal 1959 farm expenditures was $5 billion. By September, in view of 1958's bumper crops, the estimate had increased to almost $7 billion. If the program remains as it is, ever-increasing production will assure the further rapid growth of farm-support costs.

These costs are so great that it is virtually impossible to visualize them. By the same token, it is difficult to picture the physical size of our artificially induced surplus.

This year the United States produced some 8.5 billion bushels of corn, rye, wheat, oats, barley, grain sorghums, rice, flaxseed, and soybeans. Although not all of this goes to market (roughly 70 per cent of the corn, for instance, stays on the farm to be fed to animals), an annual average of about 4 billion bushels does move to domestic and foreign purchasers.

The grain leaving the farm that is not bought in the free market by the private grain trade is taken over, through foreclosure of nonrecourse crop loans, by the government. In this way, the Commodity Credit Corporation, the governing agency, has accumulated large stores of all surplus crops and staggering amounts of corn and wheat, the two major surpluses. At present, it owns 2.2 billion bushels and will probably own nearly 2.7 billion by this time next year. In other words, it will possess two full years' domestic supply of wheat and will own stocks of corn equal to two and one-half times that which annually goes into commercial channels.

If you loaded all this grain into merchant ships at one time (figuring 380,000 bushels per 10,000 ton ship), it would take more than four-fifths of the total tonnage of the world's merchant fleets to contain it. The management of this tremendous total is so great that the Commodity Credit Corporation has had its borrowing authority steadily boosted from $100 million in 1939 to $14.5 billion today. As it has grown financially, it has spread out operationally until it is active in direct or indirect competition with the private grain trade in a dozen different areas. Where it does not compete, it has power to interfere through the many ground rules it can promulgate concerning how grain from its stocks must be handled.

## Role of Grain Trade

My assertions thus far, except for an initial demand for realistic production and pricing that I shortly will substantiate, have been drawn entirely from census data and published CCC budget-and-stock statistics. Before proceeding to the problem of surplus disposal, however, I would do well to outline my own particular vantage point, uniquely situated to encourage contact with and sympathy for the farmers themselves, the consuming and tax paying public, the Department of Agriculture and CCC, and the buyers and publics that make up our overseas markets.

My own lifelong affiliation has been with Cargill, Incorporated, a significant member of the private grain trade. Our industry is a heterogeneous group of small and large companies owning and operating thousands of small grain elevators in the countryside, and giant storage, shipping, and marketing terminals in population centers and on the seaboard. It includes, in Chicago, Kansas City, Omaha, Minneapolis, and elsewhere, large grain marketing exchanges where minute-by-minute market prices are established through

April 26, 1959

# Report Shows Record Grain Stocks on Hand

WASHINGTON (AP) — The Agriculture Dept. has reported record stocks of all feed grains, wheat and soybeans on April 1.

Wheat exceeded the previous record by 17 per cent, sorghum grain by 44 per cent and soybean by 26 per cent.

Wheat stocks April 1 were 1,540,014,000 bushels compared with 122,556,000 a year ago.

Others compared with a year ago.

Corn 2,991,704,000 and 2,807,878,000.

Rye 18,167,000 and 15,218,000.

Oats 666,600,000 and 597,563,000.

Barley 288,340,000 and 263,210,000.

Sorghum grain 612,511,000 and 425,002,000.

Soybeans 322,688,000 and 255,706,000.

Flaxseed 24,393,000 and 15,569,000.

A recent news release in a New Mexico paper.
(Note: Both this item and the boxed table are inserted by the editor of NEW MEXICO BUSINESS.)

cash and futures trading.

It also includes millions of dollars worth of physical handling, cleaning, drying, aerating, and other equipment; enormous transportation-management networks using trucks, river barges, ocean and lake vessels, and rail equipment to move grains from farm to market; elaborate communications systems to carry to each major company headquarters reports of sales, purchases, and any market fluctuation at grain exchanges across the U. S. and major markets throughout the world. Most important of all, staffs of highly skilled and highly competitive grain merchants are associated with each of the various companies and are intimately acquainted with every step of the progress of grain from field to table.

### *Contacts with Rural Areas*

In the direction of the farmer, our industry provides a funnel for money--this year almost $3.3 billion--in exchange for his grain. All this produce is moved away from the farm during the few short harvest months. Some of it goes into immediate consumption and some to storage to fill year-round domestic and export demands.

Grain firms must, for purely competitive reasons, maintain the closest possible contact with the rural community, keeping abreast of changing trends in production, levels of farm income, movements to diversify or specialize, swings from production of one crop to another, availability and acceptance of improved seeds, fertilizers, machinery, and so forth. In the same way and for the same reasons, we must establish familiarity with domestic consumers, being aware of their eating habits, the effects of price changes on these habits, research into new uses for farm products, the impact of such research on total consumption, trends in population growth, shifts from low- to high-protein foods, advances in animal feed manufacturing, food preservation techniques, and the like. Similarly, we must follow markets and market potentials in foreign countries, watching overseas production trends, trade financing possibilities, alterations in dietary preference, production--or nonproduction--of meat animals, and month-by-month harvest of various crops.

### *Government Contacts*

We are also fortunate--or unfortunate--in having had 30 years' enforced intimacy with government farm programs and their various administrating agencies. At some stages, government control of grain activities has been almost complete.

At present, I am pleased to say, we have more freedom to operate than we have had for many years, but we exist, even so, with CCC's 2.2 billion bushel surplus literally hanging over our heads. We are in constant fear of bureaucratic mishandlings that upset and destroy market patterns, and are under civil servant dictates--in the granting of subsidies to bring high domestic prices into line with lower world prices--whenever we negotiate sales of grain to foreign countries.

### *Services of the Trade*

Among the trade's, and my own firm's, proudest claims are these: We perform our essential services at a profit margin smaller than any other

industry in America; we do so by virtue of the highest possible level of efficiency; we are habitual innovators, introducing newer, less expensive and better ways of handling grain, be they in the area of elevator construction, transportation management, grain preservation, or another; officials of the government itself, despite long experience in shepherding surplus stockpiles, readily admit that no one--but no one--can perform our function more efficiently than we.

## The Revolution in Yield

### *The "Average" Fallacy*

My colleagues and I not only know something about grain, but know something about the efficiency with which our grain supplies are produced and the necessary requirements for disposing of grain surpluses. For every bushel of grain we buy is surplus so long as it is piled in our terminal elevators or is in transit from one storage location to another, and it remains surplus until we find a willing buyer in some corner of the world.

The disparity between supported prices and actual production costs arises from our acceptance of average production figures and average incomes as guides to farm-support legislation. By averaging the relatively insignificant poor-land production of our marginal farm population with the bumper production of our commercials, we arrive at an average yield of 52 bushels per acre for corn, of 27 bushels per acre for wheat, and of similar small averages for the other grains. These figures are by no means representative of actual commercial production; but even they show remarkable increase in recent years.

I recently examined the records of average corn acreage and production since 1930 and alongside it looked at average records for soybeans. I found that in 28 years, corn acreage declined more than 25 per cent, from 101 million acres to about 73 million. However, the production of corn has climbed from 2 billion bushels to nearly 3.8 billion. In terms of bushels per acre, this means a rise of more than 150 per cent, from 20 to 52 bushels per acre. In the same period, soybean production rose from 14 million bushels to 575 million, and the average yield climbed from 13 to more than 24 bushels per acre. It is worth noting that the combined crops--corn producing almost twice the bushels of 1930 and soybeans 41 times the bushels--are now grown on fewer acres than formerly had been occupied by corn alone.

If these figures are impressive, the returns of our top commercial producers are even more so. For while corn yields average 52 bushels per acre, these producers are making 100 bushels commonplace, and many are turning in 120 to 150 bushel yields. We are even aware of commercial sized production at 200 bushels per acre, with 150 considered a failure.

Similarly in wheat, where the average is 27 bushels per acre, commercial farmers are producing from 60 to 70 bushels in major wheat areas. Newly developed varieties on the Pacific Coast--varieties that will certainly lead to others suitable to the Midwest--will yield as high as 130 bushels per acre.

### *"Meat" Efficiency Follows*

This single trend, the enormous increase in productivity of grains, constitutes a revolution. But the revolution has not ended there. If every acre will produce from two to three times as many bushels, every bushel will produce twice the amount of meat or milk, or twice the number of eggs. This has come about through more effective feeding of farm grains and increased use of manufactured feed formulas made mainly from grains.

In 1930, 15 pounds of feed and 15 weeks of feeding were required to produce a 3-pound broiler. Today, 7 pounds will raise the same bird in less than 9 weeks under farm conditions, and 5.5 pounds will do the job in less than 8 weeks on the research farm. In the 1930's, 50 pounds of feed were required to produce 77 eggs. Today, the same amount of feed will yield 145 eggs, and tomorrow we expect to average 160 eggs from 50 pounds of feed. The conversion ratio for turkeys has increased from 6.5 pounds of feed per pound of bird to 4 pounds of feed per pound, and the time needed to grow a 20-pound turkey has fallen from 34 to 23 weeks. The same story can be told in the production of milk, beef, pork, lamb--every product of today's feed formulas and feed techniques.

### *Worker Activity Improved*

At the same time, average productivity of farm workers, which lumps together the highly productive and wholly unproductive to produce one of the most understated averages of all, has grown more since 1940 than it had grown in the previous 120 years. In 1820 an average farm worker produced enough to serve the needs of 4.1 persons; by 1940 this figure had risen to 10.8 persons, and it had climbed to 20.8 persons by 1956. If the average worker is serving 20.8 people, the efficient and well-equipped worker (about whom no such figures exist) is certainly serving upward of 100.

I have indicated, then, that the bulk of our farm production is not in the hands of the average farmer but in those of the major commercials. And I have also indicated that commercial production is far more efficient and involves far

lower per-unit costs than average figures would indicate. At the present level of corn supports, it is reasonable to estimate that many major commercials are operating at a profit margin well in excess of 100 per cent. Wheat, which is supported at roughly $1.90 per bushel, is being raised in the great southwestern farm areas for as little as $.60 a bushel, or less than one-third of the support price. These production costs, low today, will be still lower tomorrow, for technological advances are proceeding at an unslackening rate.

## Effect on World Trade

Given compatibly lower prices, dramatic increases can be brought about by the grain trade in U.S. and world consumption of so-called surplus production.

At present, because our supported domestic prices are much higher than competitive world prices, we are able to sell grain abroad only on receipt of government export subsidies to fill the gap between the price we pay for supplies and that at which we must offer them. In such a situation, CCC administrators must take care to keep us just barely competitive, for since any use of the subsidy technique constitutes, by definition, international "dumping," its use to make us very competitive would bring us under immediate economic attack by foreign governments.

If, however, our domestic and world prices were identical, and if they were only reasonably higher than actual per-unit costs of raising the products, we could compete with the utmost vigor without fear of accusation. That our prices would be competitive in this situation is beyond doubt, for today, when mechanization so largely compensates for the differences in farm-wage scales between this and foreign countries, our commercial production is by far the most efficient in the world. Thus, our farmers could not only acquire a larger share of present world markets, but could also offer products at prices that would create, as from whole cloth, great new markets.

### *Population Increases*

The entire Orient, all of Africa, and considerable parts of Europe are in acute need of low-cost foodstuffs. It is estimated that three-fourths of the people in today's world are undernourished or hungry, and birth trends indicate that the world's total population may double in the next 40 years. One expert, Dr. Harrison Brown, Professor of Geochemistry at California Institute of Technology, stated recently in a New York Times news release that "science and technology cannot provide the means of supporting a (world) population that continues to grow at the rate of 18 per cent (and in particular areas 25 per cent) per decade." Certainly these people cannot be fed--or cannot be fed by U.S. production--at prohibitively high prices.

At competitive prices, however, foreign nations will buy our grains, not only to fill presently accessible needs, but also to replace present foodstuffs with more desirable alternatives, to increase over-all consumption of grain in cereal form, and to initiate and expand meat production, which requires some three pounds of grain to yield one pound of edible product.

### *Dietary Changes*

There has been ample proof that changes in dietary preferences could and would take place among foreign populations. In India, where rice is historically the basic food, low prices some years ago in grain sorghums caused that grain to increase in popularity and to be imported in quantity from the U.S. Then, as sorghum supplies in this country became short, Indian importers were induced to try wheat. Today the taste for wheat, which does, to be sure, reach only the smallest fraction of India's many millions, is so well entrenched that sorghum producers are unable to regain more than a fraction of their old market. In a similar way, Japan, also historically a rice consumer, is now importing considerable quantities of wheat and barley and would import infinitely more at more favorable prices. The same patterns, greatly accelerated, would take place throughout the world if our grains were priced within consumers' means.

The dietary changes I have described involve grains consumed as cereals. But many countries, especially Japan and large areas of Europe, are now in sufficiently good economic condition to undertake major production of meat products. Poultry raising, especially making use of advanced breeds and feeding techniques developed in the U.S., could become tremendously popular. If prices for our feed grains were appropriate, export demand would increase a hundredfold.

To a lesser extent in the U. S., but still very appreciably, consumption of meat and other protein products would climb if grain were more accessible. Those people whose incomes are low, and who can afford meat only occasionally, would increase their usage. Others, who now buy all the meat they can eat, would raise their standards from middle-priced cuts to those now in the so-called luxury class.

I repeat that the markets are there and waiting. Our present need is only for reduction in subsidies and a gradual lowering, to levels consistent with production costs, of free market prices.

## Effect on Farmers

But what of our farmers while this takes place? Will they be hurt? Will they profit? To what degree will these changes affect them?

Again one must beware of average statistics and generalizations about the "average" farmer, a fiction that no more exists than does the "average" soldier, arrived at by compounding the Duke of Wellington with Willie and Joe.

### *Effects on Marginals*

First of all, the marginal 56 per cent of our farmers, whose production is so painfully small, would certainly not be injured by the passing of farm supports, just as they have not been aided by their presence. One might, in a discussion of farm surpluses, choose simply to ignore them. But it would be unwise to do so, for they provide most of the argument for continued support. Their production makes up the lows from which compelling "averages" are derived, and their abandonment in some numbers of the countryside (for the most part in favor of Detroit, Chicago, and other industrial centers) lends credence to cries about the downfall of the family farm. If their situation is not improved, they will continue to be used as dupes by politicians and farm groups and will continue to be a stumbling block to the emergence of a free agriculture. If it is improved, we will have done the entire nation a service by providing additions to total income, new sources of capable manpower, and new and vigorous markets for the sale of consumer goods.

The marginal farm group is trying, as best it can, to solve its own problems. Many of its members, especially younger members, have migrated to urban centers to seek more rewarding jobs. This trend is certain to continue and in time would bring about adjustment on a strict laissez faire basis. Unfortunately, however, the problem would require decades to solve; its solution is one that cannot be officially encouraged, if only because the states concerned through their congressional delegations would vigorously resist any planned loss of citizens. Even if such planning were possible, the solution is a dubious one for it smacks of government pressure and, in its most extreme aspect, of forced migration.

We must endeavor to help these people, or more properly help them to help themselves, in their own areas. Many live where they live because they want to, simply and flatly preferring a rural to an urban existence. In that respect, at least, they are the envy of many of their economically more fortunate big city brothers.

Help Via Free Enterprise

One government program has been making tentative steps for the past three years toward doing exactly what I suggest. Called the Rural Development Program, it would encourage self-help in underdeveloped areas to improve farming methods, introduce economical farm crops, encourage consolidation of small units to create larger ones, and, most important but least emphasized of all, cause town and country cooperation in setting up or attracting local industry to provide farmers with full- or part-time jobs while living at home.

Unfortunately, the program is still a pilot operation. Its budget last year amounted to only $640,000, or 1/7,812 of the Department of Agriculture's over-all allocation. It has been organized in only 100 counties, spotted here and there among 30 states. It tends, most unfortunately, to emphasize improved farming, even when the improvement is too slight ever to result in truly commercial operations. To the program's credit, it is because it is small and because local committies, though well intended, are often ineffectual that it is forced to emphasize this kind of development.

On the industrial side, to be sure, the program has created some jobs. Most recent reports show 50 men employed in small-boat manufacture in Indiana, 100 in garment making in North Carolina, 130 in poultry processing in Texas, 54 in charcoal manufacture in Wisconsin, and a scattering in similar industries elsewhere. But the totals are small, and the progress slow.

I believe it politically essential that this program be greatly stepped up and economically essential that its emphasis be shifted to creation of local industry, with farming encouraged only where there is promise of attaining commercial levels. First and foremost, I believe jobs should not be created by direct government expenditure, but only by encouraged--or induced--free enterprise activity.

To some extent, the attraction of industry by organized local effort will bring results and might well have solved the problem long ago had not 30 years of government programming so greatly hindered natural development of the rural economy. But if philanthropy is deemed a proper function of government--a premise that is highly debatable--and if 30 years' time lag is to be overcome in a reasonable time, then the adjustment process could be greatly accelerated by government means and probably at moderate cost.

One approach might be low-interest, long-term loans, handled by local banks and backed up by government guarantees, to cause small business and industry to locate in the countryside. Another might be tax incentives, possibly based on fast plant-depreciation write-offs, possibly on corporate income tax reductions proportionate to the numbers of people employed, to cause major industry to expand into the countryside with full-sized factories or small assembly or parts-making plants.

Such an incentive approach could include all nonurban areas or be confined to particular areas of greatest distress. It would be far less costly

than a direct government-works project approach, because a dollar of tax allowance to a company could be spent in full, while a dollar received from taxes is more than half consumed by administrative costs before it is spent to the public's benefit. Further, the jobs produced would result in expanded personal income taxes to more than offset the cost of the program. Still further, and of utmost importance in my opinion, the approach would not invite further direct intervention by government in our rural economy.

I have discussed at some length the need for realistic help for our marginal farmers. It is inevitable that sooner or later they will receive help of some sort, and I believe it important they be helped in a way strengthening to free enterprise rather than weakening. I also believe that if they are not helped, they will be used forever as an excuse for crop-price supports and even (heaven forbid) for a fully nationalized agriculture.

### *Effect on Small Commercials*

The expansion of industry to the countryside would also be of value to the middle group of farmers, the so-called small commercials. As I have mentioned, some of these people, by trying to work undersized and undermechanized farms, are sliding downward toward the marginal group and could be greatly bolstered by the availability of nearby jobs. Many today are staying with their farms simply because there are no palatable alternatives, but they would be perfectly willing to leave farming if better-paying jobs were available. This, in turn, would make it possible for those deciding to continue as farmers to acquire needed land, to expand to full economic size, and to become effective members of the major commercial group.

In such a situation, land sales would not be evidence that farmers were being forced off the farm, but, on the contrary, would be highly profitable and desirable transactions. Farmers would not sell until more remunerative occupations were opened to them. Even then, many would continue living in their farm homes, selling only their tillable land; and the price of that land would continue as high, or higher, than today.

### *Power of Political Clichés*

The national index of farm land values is now at an all-time peak, and Department of Agriculture statisticians predict it will be still higher this year. On November 1, 1958, it stood at 163 per cent of the base 1947-49 average and was up 6 per cent from the same time last year. Federal forecasters say that by November, 1959, it will have increased another 6 per cent. This reflects the fact that land in the Corn Belt is now selling at $500 an acre, with neighboring farmers and nonfarm buyers clamoring for any parcel that becomes available. This also gives us insight into the sad plight of the producing farmer and causes us to wonder that so many would-be farmers, with money jingling in their pockets, are so anxious to share in his sadness.

The indisputable fact that farm land sales are taking place and that the farm population is declining have been interpreted by some politicians and support-oriented farm groups (some major farm organizations are not support-oriented and recognize the fallacy of the argument) as meaning the decline and fall of the family farm and its replacement by a giant bogey called the corporate farm.

To be sure, farms are growing larger in a necessary movement to achieve economic size. Average census figures show farm size to have increased from 207 acres 10 years ago to roughly 260 acres today. In fact, however, efficiently sized farms vary enormously according to the crops being raised; desirable fruit and vegetable operations are possible on far less than average acreage, desirable corn production can be raised on roughly average sized farms, and desirable wheat acreage is considerably larger than the average. Thus, size does have relevance to efficiency, but it has no relevance whatever to the character of farm ownership and management.

By far the preponderance of American farms, regardless of size, are family owned and family operated. In fact, families owning efficient and mechanized farms are doing a greater share of the work themselves than ever before. Except for seasonal peak periods, by far the larger part of the physical labor on commercial farms is by the farmer himself, his sons, and sometimes his wife and daughters, with employment figures for hired men showing an appreciable drop. Meanwhile, corporate farms are a distinct rarity in this country, with a few exceptions notable in vegetable and citrus production and a very few in the production of wheat. The misguided advocacy of government supports to save the family farm, if it has any meaning at all, means, "Prevent the too-small, uneconomic family farm from growing to economic size," or "Beguile the voting farmer with promises, at whatever cost to him and to the public." The cry of, "Save the family farm," has become a demagogic cliché, shortsighted at best and cruel at worst, by some farm groups to assure continued subsidization and by some legislators to obtain favor and votes from rural constituencies. Other legislators, elected from nonfarm consumer areas, have been equally shortshighted in their willingness to go along in exchange for support on other issues.

Legislators, from both farm and nonfarm districts, would do well to look again at the oft quoted farm statistics. The fact, for example, that 30 years ago farmers accounted for 30 per cent of our total population while today they account for but 11.6 per cent, does not mean the end of

# Business Activity in New Mexico

| | February 1959 | Year Earlier February 1958 | Per Cent Change February 1959 from Jan. 1959 | Per Cent Change February 1959 from Feb. 1958 | INDEX February 1959 (Average Month 1947-49 = 100) |
|---|---|---|---|---|---|
| Index of Business Activity (1947-49 = 100) | 270.6[P] | 250.4 | - 6.9 | + 8.1 | 270.6 |
| Sales data: Not available. See March issue of NEW MEXICO BUSINESS | | | | | |
| *Life Insurance Sales (1,000s) | $ 19,891 | $ 19,720 | + 4.9 | + 0.9 | 567.2 |
| *Bank Debits, 36 banks (1,000s) | 436,961 | 374,827 | - 13.2 | + 16.6 | 268.9[a] |
| Bank Loans and Discounts, 36 banks (1,000s) | 46,027 | 37,461 | - 11.7 | + 22.9 | 268.7[a] |
| Demand Deposits, 36 banks (1,000s) | 345,215 | 301,513 | - 3.9 | + 14.5 | 182.3[a] |
| Time Deposits, 36 banks (1,000s) | 119,259 | 99,505 | + 0.4 | + 19.9 | 332.7[a] |
| Business Failure Liabilities (1,000s)[b] | 220 | 35 | - 44.0 | +524.1 | 768.6 |
| Wage Workers in Nonagricultural Establishments | 222,900 | 208,600 | + 0.4 | + 6.9 | 169.2 |
| in Mining | 18,200 | 19,800 | + 0.6 | - 8.1 | 146.0 |
| in Contract Construction | 22,500 | 17,900 | + 2.3 | + 25.7 | 178.1 |
| *in Manufacturing | 15,500 | 14,300 | 0.0 | + 8.4 | 167.9 |
| in Transportation and Utilities | 20,000 | 19,900 | 0.0 | + 0.5 | 131.6 |
| in Trade | 46,200 | 43,300 | - 0.2 | + 6.7 | 159.3 |
| in Finance, Insurance, and Real Estate | 8,100 | 7,500 | + 1.2 | + 8.0 | 279.3 |
| in Services and Miscellaneous | 31,900 | 29,800 | + 0.3 | + 7.0 | 146.6 |
| in Government | 60,500 | 56,100 | + 0.3 | + 7.8 | 212.0 |
| Number of Insured Unemployed | 5,677 | 7,323 | + 15.5 | - 22.5 | -- |
| Rate of Unemployment (per cent of labor force) | 3.12 | 4.25 | + 14.7 | - 26.6 | 200.5 |
| *Building Permits, total 17 cities (1,000s) | $ 9,079 | $ 8,084 | - 23.3 | + 12.3 | 344.2[a] |
| Residential | 6,180 | 6,374 | - 20.7 | - 3.0 | 378.6[a] |
| Nonresidential | 2,083 | 1,179 | - 30.2 | + 76.7 | 298.1[a] |
| Other | 816 | 531 | - 22.9 | + 53.6 | 266.2[a] |
| *Petroleum Production (1,000s of bbls) | 7,654 | 7,324 | - 9.9 | + 4.5 | 201.8 |
| Natural Gas Production (millions of cu ft) | 64,626 | 64,682 | - 27.5 | - 0.1 | 401.8 |
| *Electric Power Production (1,000s of kwhs) | 232,675 | 201,897 | - 11.5 | + 15.2 | 263.7 |
| *Index of Total Metallics Production (1947-49 = 100) | 58.4 | 77.8 | - 18.6 | - 24.9 | 58.4 |
| Mine Production - Copper (1,000s of lbs) | 10,482 | 10,120 | - 9.8 | + 3.6 | 99.2 |
| Mine Production - Lead (1,000s of lbs) | na | 454 | -- | -- | -- |
| Mine Production - Zinc (1,000s of lbs) | na | 3,610 | -- | -- | -- |
| *Mine Production - Potash (1,000s of tons) | 1,068 | 978 | - 11.4 | + 9.2 | 266.8 |
| Index of All Farm Prices (1947-49 = 100) | 105.9 | 101.0 | + 1.0 | + 4.9 | 105.9 |
| Index of Livestock Prices | 117.4 | 110.7 | + 0.5 | + 6.1 | 117.4 |
| Index of Crop Prices | 84.1 | 83.3 | + 1.9 | + 1.0 | 84.1 |
| Receipts from All Farm Marketings (1,000s) | $ 14,121 | $ 10,039 | + 1.3 | + 40.6 | 159.0 |
| Livestock and Products | 8,384 | 7,992 | + 11.0 | + 4.9 | 181.9 |
| Crops | 5,737 | 2,047 | - 12.3 | +180.3 | 138.2 |

| | March 1959 | Year Earlier March 1958 | Per Cent Change March 1959 from Feb. 1959 | Per Cent Change March 1959 from Mar. 1958 | INDEX March 1959 (Average Month 1947-49 = 100) |
|---|---|---|---|---|---|
| Bank Debits, 36 banks (1,000s) | $499,813 | $409,159 | + 14.4 | + 22.2 | 307.6[a] |
| Bank Loans and Discounts, 36 banks (1,000s) | 54,134 | 40,185 | + 17.6 | + 34.7 | 316.0[a] |
| Demand Deposits, 36 banks (1,000s) | 346,152 | 303,746 | + 0.3 | + 14.0 | 182.8[a] |
| Time Deposits, 36 banks (1,000s) | 119,113 | 101,061 | - 0.1 | + 17.9 | 332.4[a] |
| Wage Workers in Nonagricultural Establishments | 224,500 | 208,400 | + 0.7 | + 7.7 | 170.4 |
| Number of Insured Unemployed | 5,285 | 7,604 | - 6.9 | - 30.5 | -- |
| Rate of Unemployment (per cent of labor force) | 2.87 | 4.42 | - 8.0 | - 35.1 | 184.9 |
| Building Permits, total 17 cities (1,000s) | $ 10,946 | $ 12,708 | + 20.6 | - 13.9 | 415.0[a] |
| Residential | 7,648 | 5,888 | + 23.7 | + 29.9 | 468.6[a] |
| Nonresidential | 1,278 | 6,111 | - 38.7 | - 79.0 | 182.8[a] |
| Other | 2,020 | 709 | +147.6 | +184.9 | 659.3[a] |
| Index of All Farm Prices (1947-49 = 100) | 110.0 | 105.5 | + 3.9 | + 4.3 | 110.0 |
| Index of Livestock Prices | 119.1 | 115.1 | + 1.4 | + 3.5 | 119.1 |
| Index of Crop Prices | 94.8 | 88.9 | + 12.7 | + 6.6 | 94.8 |

*Indexes for these items are used to compute the Index of Business Activity.

[a]Although the number of reporting units changes, the indexes for these items are comparable with indexes for preceding months.

[b]The figures in this series are based on the average of three months' data.

[P]Preliminary

na - not available

Sources:

Retail Sales data: N. M. Bureau of Revenue

Potash Production: N. M. Bureau of Revenue

Petroleum and Natural Gas Production: N. M. Oil Conservation Commission

Life Insurance Sales (New Ordinary): Life Insurance Agency Management Association

Wage Workers and Unemployment: N. M. Employment Security Commission and U. S. Department of Labor

Electric Power Production: Federal Power Commission

Metallics Production: U. S. Bureau of Mines

Farm Prices and Marketings: U. S. Agricultural Marketing Service

Bank data (all series), Building Permits: Bureau of Business Research

Business Failure Liabilities: Dun & Bradstreet, Inc.

the family farm; it does mean that more and more voters are farm consumers rather than farm producers. If these people are to be served, if their interests are to be weighed against the costly failure of farm supports, it will certainly mean an end to the high support alliance in Congress.

It will also mean an end to an era in which the general public has been made to pay through the nose thrice over: once in paying for the supports themselves, again in storing and subsidizing the export of gigantic surpluses, and a third time in purchasing overpriced commodities for home consumption.

### *Effect on Major Commercials*

I trust my resumé has indicated that major commercial farmers, like the marginal group and the small commercials, would be helped far more than hurt by the gradual end of price supports and a realistic lowering of free market prices. To be sure, the "same old bunch" of politicians and farm groups would cry out, and loudly, on the assumption that a golden-egg-laying goose in the hand is worth two in the bush. This cry would not be for the loss of bona fide profits, however, but for the loss of publicly paid-for excess profits. Simultaneously, other farm groups and a large percentage of the farmers themselves would applaud the change and welcome a return to free and independent production. This assertion is amply supported by the recent corn vote, in which 71 per cent of farmers voting opposed high supports and acreage controls and supported wide-open production at a lower support level.

## The Net Result

This same approach, if followed throughout agriculture, would mean that efficient producers, to keep net profits high despite lower profit margins, would utilize all of their tillable land, boost their total production, and lower their per-unit costs still further. The less efficient, who have been willing to receive smaller margins in order to ride the gravy train in comfort, would go back to work, would apply the million and one production techniques presently available, and would look avidly for the million and two still on the horizon.

Meanwhile, the consuming and taxpaying public would find itself "back-in-pocket" after 30 years' unnecessary spending; the grain merchandising industry would be unburdened of government controls and surpluses and would be able to proceed with its task of serving the farmer and feeding the world; and farmers--along with the rest of the rural community--would find themselves economically healthier than ever before in history.

INDEXES OF BUILDING PERMITS
Selected Cities, New Mexico
(1947-49 = 100)

| | March 1958 | March 1959 |
|---|---|---|
| Alamogordo | 1,763.6 | 1,776.0 |
| Albuquerque | 690.2 | 503.4 |
| Artesia | 56.4 | 358.3 |
| Carlsbad | 192.0 | 115.3 |
| Clayton | 0.0 | 53.8 |
| Clovis | 512.2 | 323.4 |
| Deming | 17.7 | 295.9 |
| Farmington | 1,115.2 | 1,018.7 |
| Gallup | 290.1 | 878.2 |
| Las Cruces | 500.8 | 499.0 |
| Las Vegas | 73.0 | 61.5 |
| Lordsburg | 0.0 | 194.1 |
| Portales | 64.7 | 179.9 |
| Raton | 39.0 | 239.9 |
| Roswell | 126.7 | 226.4 |
| Santa Fe | 70.3 | 79.3 |
| Tucumcari | 57.5 | 172.6 |
| STATE | 481.8 | 415.0 |

Source: Estimated by Bureau of Business Research

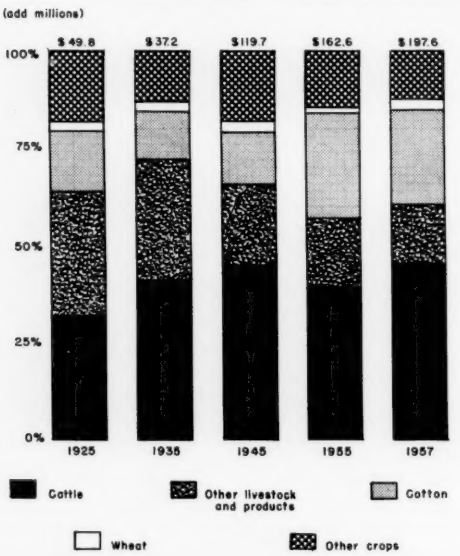
### *Monthly Summary* (Continued from Page 1)

Unemployment rose seasonally in February, following its usual pattern for that month; but by comparison with a year earlier it was considerably lower. Even so, it continued to exceed the remarkably low levels maintained through 1956 and early 1957. Part of the reduction in unemployment was undoubtedly due to excellent gains in employment. All industries except mining increased their employment over February 1958, and in all except transportation the increases were substantial. The best percentage gain, aside from that in construction, was the one in manufacturing, with finance running a close second.

Lacking the usual data concerning retail sales, we find it difficult to know what the consumer sector of the economy did in early 1959. However, the volume of checking transactions at commercial banks (bank debits) would indicate that sales activity at all levels was spry during February.

# CHART-OF-THE-MONTH

Cattle remain perennial moneymakers in . . . New Mexico agriculture. Cotton shows gains, as other livestock and products and other crops account for decreasing shares of yearly marketings.

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Ralph L. Edgel
Director

Vicente T. Ximenes
Associate Economist

Arthur A. Blumenfeld
Assistant Economist

Margaret I. Meaders
Editor

Anita S. Park
Secretary

Shirley Huzarski
Research Asst.

Sheila M. Fisher
Asst. Statistician

Diane McCollum
Statistical Clerk

Dolores Sandoval
Stenographer

**NEW MEXICO BUSINESS**
Bureau of Business Research
University of New Mexico
1821 Roma Avenue, N.E.
Albuquerque, N. M.